

Housing Tax Credit: Review of Income Averaging

May 1, 2018

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Background

The Consolidated Appropriations Act of 2018 (the Act) established income averaging as a new option for developments seeking federal Housing Credits. Income averaging can offer flexibility to serve a broader range of tenant incomes, and Minnesota Housing is actively assessing the complexities and implications of how best to incorporate the option for income averaging into our tax credit program. The income averaging option allows tax credit units to serve households earning as much as 80 percent of Area Median Income (AMI), so long as the average income/rent limit in the property is 60 percent or less of AMI. Owners electing the income averaging option must commit to having at least 40 percent of the units in the property affordable to eligible households.

As we determine how we can best accommodate the income averaging option, it is likely that we will need to amend our Qualified Allocation Plan (QAP). Any QAP amendment process will provide opportunities for public comment. In order to promote understanding of policy and compliance considerations related to income averaging, we want to invite early feedback from our stakeholders and share information about what we know.

Upcoming Income Averaging Feedback Opportunities

Prior to any formal public comment process, we are providing two opportunities for early feedback as we begin to assess implementation of income averaging into Minnesota Housing's HTC Program.

1. Attend an in-person information/feedback session for developers on May 10 from 1:30 to 3:30 pm at Minnesota Housing. If you have thoughts or specific insights around ways income averaging could be used as an effective tool, please share information with us. [Register to reserve your spot by May 7](#). With your registration, you may submit questions or comments on income averaging, or you can email Lori.Lindberg@state.mn.us.
2. Provide early written feedback to Minnesota Housing around income averaging to Lori.Lindberg@state.mn.us. We're requesting feedback by 5:00 pm on May 23. Additional opportunities for more formal public comments, associated with any QAP amendment process, will also be available.

Feedback

To help guide the conversation we invite feedback specific to topics below. Other additional comments or feedback areas are also welcome.

Income Averaging Topics:

- Allocation policy and scoring for the housing tax credit program
 - Serving more households at 30% AMI or below when using income averaging
- Rent structure and underwriting considerations
- Pairing with other funding sources, including tax-exempt bonds
- Implementation considerations:
 - 100% HTC only projects v. market rate
 - Multiple Building Election
 - Income and rent limits for 20%, 30%, 40%, 50%, 60%, 70%, and 80%.
 - Market studies and achievable rents
 - Unit designation - fixed/floating

Related Topics

- Lease- up and compliance
- Complexities of multiple LURAs
- Resyndication
- Over Income Tenants

We are looking forward to hearing from you

We are looking forward to hearing from you. Your insights are important to us, and we encourage you to participate in our early feedback opportunities as we work through timing and policy considerations.

[Register for May 10](#)

Learn More about Income Averaging

To learn more about income averaging, resources are available on the [Novogradac website](#). Here you'll also find [FAQ's prepared by the National Council of State Housing Agencies \(NCSHA\)](#).

For questions about the applicability of income averaging for projects that have already been selected or awarded tax credits by Minnesota Housing, please refer to the [tax credit webpage](#).



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